

# THE STATE OF CALIFORNIA 1915(b) PROGRAM

Project Name:	<b>Selective Provider Contracting Program</b>
(SPCP)(CA02R09)	
Proposal Initially Approved:	September 21, 1982
Previous Renewal Period:	September 22, 1996 – September 21, 1998
Latest Renewal Received:	September 14, 2001
Latest Renewal Effective:	January 1, 2003 – December 31, 2004

## PROGRAM SUMMARY:

The State of California submitted a proposal under Section 1915(b) (4) of the Social Security Act authority to establish the SPCP waiver program.

Under the SPCP, California contracts with a limited number of hospitals that agree to provide all inpatient hospital services to Medicaid beneficiaries at a prospectively agreed upon per diem rate, which is set at a rate lower than what would have been paid to non-contracting hospitals in the absence of the waiver. Provider selection is made after the State negotiates the rates and terms of participation with interested hospitals and considers the relative benefits of the price and service arrangements offered by each hospital. In areas where there is sufficient provider participation, beneficiaries are restricted to those hospitals participating (except in emergencies).

The State uses some of its SPCP savings to provide additional funding (through supplemental payments) for hospitals under the SPCP program. The additional funding is provided to hospitals that meet specific criteria established by the State. The additional funds and the SPCP payments under the waiver may exceed a hospital's Medicaid costs. Although under the waiver, payments are limited to what would have been paid a hospital under the State Plan, the State has waived section 1902(a) (30) of the Act under this waiver program to allow the State to pay a hospital in excess of its State plan Medicaid costs as long as total SPCP payments to all hospitals under the waiver do not exceed its customary charges.

The waiver population includes all Medicaid beneficiaries.

The waiver is not statewide. It covers most counties in the State.

The approval letter was dated February 4, 2003. A transitional agreement was signed by CMS and the State which will guide (1) the implementation of the SPCP; (2) the determination of Upper Payment Limits for California hospitals; (3) funding to support the Los Angeles County Department of Health provision of safety net services.

**SECTIONS OF THE ACT WAIVED:**

This approval provides for the waiver of the following sections of the Act:

- 1902(a)(1) - Statewideness;
- 1902(a)(5) - Single State agency specifically to authorize California Medical Assistance Commission hospital contract negotiations;
- 1902(a)(13)(A) – Public Process for Rate Determination;
- 1902(a)(23) – Freedom of Choice; and
- 1902(a)(30) –State Plan Hospital Payment Limit (only for an individual hospital’s limit under the State plan payment methodology).

**HEALTH CARE DELIVERY:**

Hospitals.

**BENEFIT PACKAGE:**

All hospital services.

**EXCLUDED SERVICES:**

All services other than inpatient hospital services.

**LOCK-IN PROVISION:**

Not applicable.

**ENROLLMENT BROKER:**

Not applicable.

**COST EFFECTIVENESS/INSTITUTIONAL UPPER PAYMENT LIMIT INFORMATION:**

The institutional upper payment limits (UPL) had to be calculated for three groups of hospitals (Non-State government-owned, State government-owned, and privately-owned). Once these were calculated, the maximum supplemental payments and total payments could be determined. In order to approve a new extension, these allowable waiver spending limits needed to be determined.

The SPCP waiver approval letter contains the following new statewide hospital UPLs.

	<b>SFY 02-03</b>	<b>SFY 03-04</b>	<b>SFY 04-05</b>
Non-State government-owned	\$1,428,061,525	\$ 1,554,016,551	\$1,691,080,811
Transition Excess	\$ 794,515,218	\$ 675,337,935	\$ 556,160,653
State government-owned	\$ 435,369,685	\$ 469,197,910	\$ 505,654,587
Privately-owned	\$1,889,000,000	\$ 2,019,000,000	\$ 2,143,939,657
<b>Total SPCP UPLs</b>	<b>\$ 4,546,946,428</b>	<b>\$ 4,717,552,396</b>	<b>\$ 4,896,835,708</b>

Based on the UPLs, the maximum supplemental payments and maximum total payments to hospitals in the SPCP waiver may not exceed the following (Federal and State dollars in millions):

	<b>CY 02-03</b>	<b>CY 03-04</b>
Supplemental payments	\$ 2420	\$ 1807
Total Payments	\$ 5193	\$ 4807

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